

November 20, 2001

CLASSIFICATION AND VALUATION OF IRRIGATION EQUIPMENT

Purpose. To advise assessors of the proper classification and valuation of various components of an irrigation system.

Procedure and Implementation. When determining whether an item is real property or personal property, it is important to recognize that the Supreme Court has consistently applied the common law test to determine when an item of property is a fixture, and therefore real property. The three part test is as follows:

Annexation: Is the item annexed or physically attached to or incorporated into the real property?

Application: Is the item applied or adapted to the use or purpose of the real property to which it is attached?

Intent: Is the item intended to be annexed to the real property? Intention shall be inferred from the nature and extent of the annexation and adaptation, unless the owner of the item or the owner of the real property provides documentation that the intention is otherwise.

In all cases, the court has placed the greatest weight on the intention of the party or parties involved in the dispute.

It is the opinion of the Department that in an irrigation system, items such as center pivots, pumps, and motors (regardless if they are above ground or below ground), and above ground portable pipe do not meet the definition of a fixture and should be classified as personal property. As personal property, these items are subject to property taxation based on their net book value.

It is the opinion of the Department that the irrigation well and the well casing are clearly real property. In addition, any buried irrigation pipe which meets the definition of a fixture should be classified as real property. Since the typical buried irrigation pipe is annexed to the real property, is adapted to the use of the real property, and our information indicates that an owner would have no intention to ever remove the pipe, such pipe would be classified as real property.

Upon establishing the classification of the buried irrigation pipe as real property, the assessor must determine if the land containing buried irrigation pipe has an actual value different from similar land without buried irrigation pipe. An analysis of sales or income data would be necessary to support an alternative value.

APPROVED

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